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FISCAL IMPACT REPORT

SPONSOR Fox-Young DATE TYPED 2/10/05 HM 8

SHORT TITLE Support Federal Telecommunication Tax Repeal SB _____

ANALYST Rosen

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	NFI		NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Responses Received From
 Attorney General's Office (AGO)
 Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

House Memorial 8 asks New Mexico's U.S. Senators to abolish the federal excise tax on telecommunications services. Reasons for repeal of the tax include its antiquity (it was enacted for the purpose of funding the Spanish-American War), that it was enacted as a luxury tax on the then fledgling industry, that it is regressive, that it discourages investment in the network and new technologies, and that both houses of the U.S. Congress repealed the tax in 2000 only to see it vetoed by President Clinton.

Significant Issues

AGO reports such a repeal would reduce the telephone bill for most New Mexicans by 3%. PRC reports such a repeal might further encourage use of voice and data telecommunication services.

According to PRC, this tax has been repealed and re-instated several times and has also been utilized to fund World War I (at 5 cents per call) and World War II (at 20%). The tax has been set at 3% since 1982, with several intended repeals cancelled over the years. The tax collects about \$5 billion per year for the U.S. Treasury.

JR/lg